Notes to the consolidated financial statements

Year ended 31 December 2008

1. General information

Chime Communications plc is a Company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is No. 14 Curzon Street, London, W1J 5HN, United Kingdom. The nature of the Group's operations consist principally of public relations, advertising, sports marketing, market research, direct marketing design and event management consultancy.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are carried at fair value in accordance with the accounting policies set out below. In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that may affect the financial statements. Management believes that the judgements made in the preparation of the financial statements are reasonable. However, actual outcomes may differ from those anticipated. The most significant areas where such judgements have been necessary are revenue recognition, goodwill, calculation of deferred consideration and accounting for onerous lease provisions. Where judgement has been applied, the key factors taken into consideration are disclosed in the appropriate note in these financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised, unless the Group has incurred legal or constructive obligation or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill and is included in the carrying value of the investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the income statement in the period of acquisition.

Where a Group company transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Future anticipated payments to vendors in respect of earn-outs are based on the Directors' best estimates of future obligations, which are dependent on future performance of the interests acquired and assume the operating companies improve profits in line with Directors' estimates and are included in liabilities greater or less than one year as appropriate. When earn-outs are to be settled in cash or share consideration, the fair value of the consideration is obtained by discounting to present value the amounts expected to be payable in the future. The resulting interest charge is included within finance costs.

Under IFRS, an impairment charge is required for both goodwill and other indefinite lived assets when the carrying amount exceeds the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use. Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of cash-generating unit we identify for impairment testing and the criteria we use to determine which assets should be aggregated.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and comprises the gross amounts billed to clients in respect of fees earned, expenses recharged and commission-based income.

Operating income comprises commission and fees earned in respect of revenue. Cost of sales include fees paid to external suppliers where they are retained to perform part or all of a specific project for a client, and the resulting expenditure is directly attributable to the revenue earned. Revenue and operating income are stated exclusive of VAT, sales taxes and trade discounts.

Public Relations
Revenue is typically derived from retainer fees and services performed subject to specific agreement. Revenue is recognised when the service is performed in accordance with the contractual arrangement. Revenue is recognised on long-term contracts, if the outcome can be assessed with reasonable certainty, by including in the income statement revenue and related costs as contract activity progresses.

Advertising and Marketing Services and Research and Engagement
Apart from where it is derived from retainer contracts (as above), operating income is recognised on each contract in proportion to the level of services performed. Costs relating to contracts in progress at the balance sheet date are carried forward in work in progress. Losses are recognised as soon as they are foreseen.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases or, if lower, the present value of minimum lease payments. The excess of the lease payments over the recorded lease obligations is treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the income statement in equal annual amounts over the periods of the leases.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term or the period to the next review.

Foreign currencies
Transactions in UK companies denominated in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at the exchange rates prevailing on the balance sheet date. Income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation reserve differences are recognised as income or as expenses in the period in which the operation is disposed of.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as investments in equity securities classified as available for sale, are included in the fair value reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Finance costs
Finance costs which include interest, bank charges and the unwinding of the discount on deferred consideration, are recognised in the income statement in the year in which they are incurred.

Segmental reporting
As required by IAS 14 (Segment Reporting) the prior year comparatives have been restated to reflect the change in management reporting of TTA Public Relations within the group. TTA Public Relations was previously reported within Advertising and Marketing Services; it is now included within Public Relations. The effect of this change is as follows for 2007: revenue £3,274,000, operating income £2,965,000; operating profit £358,000; capital additions £46,000, depreciation £20,000; segment assets £1,107,000; segment liabilities £454,000.

Operating profit
Operating profit is stated before the share of results of associate, investment income and finance costs.

Retirement benefit costs
The pension cost is the amount of contributions payable by the Group to the defined contribution pension scheme and to personal pension schemes of certain employees during the accounting period. These are charged as an expense as they fall due.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment
Property, plant and equipment are stated at cost net of depreciation and any provision for impairment. Depreciation is provided in equal instalments over the estimated useful economic lives of assets, using the following rates:

Short-term leasehold improvements	20%
Motor vehicles	16.67%
Fixtures, fittings and equipment	25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Other intangible assets
Other intangible assets comprise acquired customer relationships and computer software. Customer relationships acquired as part of acquisitions of business are capitalised separately from goodwill as an intangible if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefit that are attributable to the asset will flow to the Group. Computer software is capitalised based on the cost incurred to acquire and bring to use the specific software. Intangible assets are stated at cost net of amortisation and any provision for impairment. The costs are amortised over their estimated useful lives; for customer relationships this is five years and computer software this is four years.

2. Significant accounting policies (continued)

Impairment of property, plant and equipment and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

Work in progress
Work in progress is stated at the lower of invoiced cost and net realisable value, net of payments received on account. Cost represents work supplied from outside the Group awaiting billing to clients at the year-end and directly attributable overhead costs.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents
Cash comprises cash, overdrafts and cash held on short-term deposit (up to three months). Cash equivalents are cash deposits held on three months deposit at the Royal Bank of Scotland plc. The deposits guarantee the loan note creditors. Interest accruing on the deposits is payable to the holders of the loan notes less any costs arising.

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments
Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under contract whose terms require the delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are classified either as available for sale, and are measured at subsequent reporting dates at fair value, or at amortised cost, where no fair value is readily determinable. Gains and losses on available for sale financial assets arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the fair value of proceeds received, net of direct issue costs.

Trade payables
Trade payables are not interest-bearing and are stated at their nominal value.

Equity instruments
Equity instruments issued by the Company are recorded at the fair value of proceeds received, net of direct issue costs.

Share-based payments
The Group has applied the requirements of IFRS 2 Share-based Payments. IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured for all schemes with market-based conditions by use of the Monte Carlo model. For all other schemes, fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

The Group also provides employees with the ability to purchase the Group's ordinary shares at 80% of the current market value. The Group records an expense, based on its estimate of the 20% discount related to shares expected to vest on a straight-line basis over the vesting period. Further details are included in note 40 to the accounts.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation, and are discounted to present value where the effect is material.

Accounting standards, interpretations and amendments to published standards not yet effective
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but which the Group has not early adopted. The new standards which are expected to be relevant to the Group's operations are as follows:

IFRS 8 Operating segments (effective from 1 August 2009) This IFRS specifies how an entity should report information about its operating segments in its financial statements. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. Management does not believe this will have a material impact on the Group's financial statements.

Amendment to IAS 23 Borrowing Costs (effective from 1 August 2009) This amendment requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of assets that need a period of time to get ready for their intended use or sale. Management does not believe this will have a material impact on the Group's financial statements.

Amendment to IAS 1 Presentation of financial statements (effective from 1 August 2009) This amendment requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).

IFRS 3 (revised) Business Combinations and IAS 27 (revised) Consolidated and Separate Financial Statements (effective from 1 July 2009) The revised standard will represent a significant change, including greater emphasis on the use of fair value, potentially increasing the judgement and subjectivity around business combination accounting and requiring greater input by valuation experts; focusing on changes in control as a significant economic event – introducing requirements to re-measure interests to fair value at the time control is achieved or lost, and recognising the impact of all transactions between controlling and non-controlling shareholders not involving a loss of control, directly in equity; and focusing on what is given to the vendor as consideration, rather than what is spent to achieve the acquisition. Transaction costs, changes in the value of contingent consideration, settlement of pre-existing contracts, share-based payments and similar items will generally be accounted for separately from the business combination, and affect profit or loss. Management is currently assessing the impact of this amendment on the Group's financial statements.

3. Revenue

An analysis of the Group's revenue is as follows:

Continuing operations	**2008 £'000**	2007 £'000 (restated)
Public Relations	**178,955**	131,738
Advertising and Marketing Services	**86,320**	61,515
Research and Engagement	**12,119**	13,336
Group revenue	**277,394**	206,589
Discontinued operation (note 10)	**–**	512
	277,394	207,101

4. Business and geographical segments

Business segments
For management purposes, the Group is currently organised into three operating divisions – Public Relations, Advertising and Marketing Services and Research and Engagement. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Public Relations
The Public Relations Division comprises some of the leading names in the industry, including Bell Pottinger, Good Relations, Harvard, Insight, Resonate, De Facto and Corporate Citizenship. It is the ranked No. 1 PR group in the UK in the PR Week public relations consultancy league table for 2007. It serves major UK and international brands, as well as governments, government departments, pharmaceutical and healthcare companies, charities, not-for-profit organisations, professional service firms, consumer brands and famous people.

Advertising and Marketing Services ('AMS')
The AMS Division possesses specialist skills in advertising and marketing services – direct marketing, digital communication, sponsorship exploitation, point of sale, sales promotion and specialist media planning and buying. It also specialises in the niche markets of property and financial services.

Research and Engagement
The Research and Engagement Division is made up of Opinion Leader, Ledbury Research and Facts International. Opinion Leader Research is one of the UK's leading research consultancies and Ledbury Research provides research and advice to brands who market and sell to high net worth consumers.

Segment information about these businesses is presented below:

2008	Public Relations £'000	Advertising and Marketing Services £'000	Research and Engagement £'000	Elimination of results of discontinued operations £'000	Elimination £'000	Consolidated £'000
Revenue						
External sales	**178,955**	**86,320**	**12,119**	**–**		**277,394**
Inter-segment sales	**10,106**	**18,604**	**2,352**	**–**	**(31,062)**	**–**
Total revenue	**189,061**	**104,924**	**14,471**	**–**	**(31,062)**	**277,394**

Inter-segment sales are charged at prevailing market prices that would also be available to unrelated third parties.

2008	Public Relations £'000	Advertising and Marketing Services £'000	Research and Engagement £'000	Elimination of results of discontinued operations £'000	Elimination £'000	Consolidated £'000
Segment result						
Operating income	**61,352**	**43,778**	**6,960**	**–**	**–**	**112,090**
Operating profit	**12,115**	**6,166**	**376**	**–**	**–**	**18,657**
Unallocated corporate expenses						**(547)**
Operating profit						**18,110**
Share of results of associates						**186**
Investment income						**456**
Finance costs						**(1,393)**
Finance costs of deferred consideration						**(1,020)**
Profit before tax						**16,339**
Tax						**(5,164)**
Profit for the year						**11,175**

4. Business and geographical segments (continued)

2008	Public Relations £'000	Advertising and Marketing Services £'000	Research and Engagement £'000	Consolidated £'000
Other segment information				
Capital additions	**774**	**1,206**	**41**	**2,021**
Depreciation and amortisation	**828**	**1,112**	**96**	**2,036**
Balance sheet				
Assets				
Segment assets	**71,272**	**94,379**	**8,273**	**173,924**
Available for sale financial assets				**113**
Investments in associates				**858**
Unallocated corporate assets				**2,814**
Consolidated total assets				**177,709**
Liabilities				
Segment liabilities	**43,416**	**26,026**	**2,202**	**71,644**
Unallocated corporate liabilities				**17,574**
Consolidated total liabilities				**89,218**

Segment information about these businesses is presented below:

2007	Public Relations (restated) £'000	Advertising and Marketing Services (restated) £'000	Research and Engagement £'000	Elimination of results of discontinued operations £'000	Elimination £'000	Consolidated £'000
Revenue						
External sales	132,250	61,515	13,336	(512)	–	206,589
Inter-segment sales	6,228	15,949	1,708	(247)	(23,638)	–
Total revenue	138,478	77,464	15,044	(759)	(23,638)	206,589

Inter-segment sales are charged at prevailing market prices that would also be available to unrelated third parties.

Segment result						
Operating income	54,502	34,704	7,711	(408)	–	96,509
Operating profit	9,252	5,557	1,395	86	–	16,290
Unallocated corporate expenses						(545)
Operating profit						15,745
Share of results of associates						(73)
Investment income						214
Finance costs						(938)
Finance costs of deferred consideration						(1,186)
Profit before tax						13,762
Tax						(4,409)
Profit for the year						9,353

2007	Public Relations (restated) £'000	Advertising and Marketing Services (restated) £'000	Research and Engagement £'000	Consolidated £'000
Other segment information				
Capital additions	946	759	96	1,801
Depreciation and amortisation	711	786	84	1,581
Balance sheet				
Assets				
Segment assets	72,594	86,313	9,085	167,992
Available for sale financial assets				227
Investments in associates				488
Unallocated corporate assets				3,610
Consolidated total assets				172,317
Liabilities				
Segment liabilities	36,372	20,223	3,564	60,159
Unallocated corporate liabilities				38,181
Consolidated total liabilities				98,340

2007

Discontinued operations

Discontinued operations had the following effect on the segment results of Public Relations, analysed into continuing and discontinued components.

	Discontinued £'000	Continuing £'000	Public Relations £'000
Revenue			
External sales	512	128,464	128,976
Inter-segment sales	247	5,746	5,993
Total revenue	759	134,210	134,969
Result			
Operating profit/(loss)	(86)	8,980	8,894

The segment results from discontinued operations stated above is equal to the loss before tax from discontinued operations in note 10, which provides a reconciliation to the net loss from discontinued operations.

4. Business and geographical segments (continued)

Geographical segments

The Group's operations are located in the United Kingdom, Germany, the Middle East and USA. The Group's Advertising and Marketing Services and Research and Engagement divisions are located solely in the United Kingdom. Public relations is carried out in the United Kingdom, Germany, the Middle East and USA.

The following table provides an analysis of the Group's revenue by geographical market, based on the billing location of the client:

	Revenue by geographical market	
	2008	2007
	£'000	£'000
United Kingdom	**109,601**	104,713
Europe, Middle East and Africa	**116,857**	93,575
USA and rest of the world	**50,936**	8,301
	277,394	206,589

Revenue of £nil from the Group's discontinued operations in 2008 was derived from the United Kingdom (2007 – £690,000).

The following is an analysis of the carrying amount of segment assets, and additions to tangible assets and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
United Kingdom	**171,217**	166,928	**1,761**	1,726
Europe, Middle East and Africa	**5,993**	4,966	**210**	69
USA and rest of the world	**499**	423	**50**	6
	177,709	172,317	**2,021**	1,801

5. Operating profit

Profit from continuing operations has been arrived at after charging/(crediting):

	2008	2007
	£'000	£'000
Depreciation of owned property, plant and equipment	**1,852**	1,355
Depreciation of assets held under finance leases	**20**	48
Amortisation of other intangible assets – computer software	**30**	19
Amortisation of other intangible assets – customer relationships	**134**	159
Rentals under operating leases – property	**6,305**	5,265
Loss on disposal of property, plant and equipment	**17**	29
Staff costs (see note 6)	**68,591**	57,381
Net foreign exchange profits	**(20)**	(29)
Auditors' remuneration for audit services (see below)	**422**	327

A more detailed analysis of auditors' remuneration is provided below:

	2008 £'000	2008 %	2007 £'000	2007 %
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**80**	**19**	66	20
Fees payable to the Company's auditors and their associates for other services pursuant to legislation	**30**	**7**	30	9
The audit of the Company's subsidiaries pursuant to legislation	**158**	**37**	140	43
Total audit fees	**268**	**63**	236	72
Tax services	**47**	**11**	41	13
Other services	**107**	**26**	50	15
Total non-audit fees	**154**	**37**	91	25

In 2007, in addition to the audit fees detailed above, £244,000 of fees were capitalised as part of costs of acquisition of Fast Track Sales Limited, Facts International Limited, The Corporate Citizenship Company and Stuart Higgins Communications Limited. These can be analysed as follows: corporate finance services – £80,000, tax services £64,000 and fees in relation to services pursuant to such legislation – £100,000.

6. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2008 Number	2007 Number
Public Relations	**458**	456
Advertising and Marketing Services	**492**	407
Research and Engagement	**63**	53
	1,013	916

Their aggregate remuneration comprised:	2008 £'000	2007 £'000
Wages and salaries	**57,698**	47,371
Social security costs	**6,331**	6,277
Pension costs – defined contribution plans (see note 41)	**3,270**	2,765
Fair value of share options granted to Directors and employees	**1,292**	968
	68,591	57,381

7. Investment income

	2008 £'000	2007 £'000
Available for sale investments:		
Dividend received	**126**	63
Loans and receivables at amortised cost:		
Interest on bank deposits	**93**	128
Interest on cash-backed loan notes	**192**	15
Other interest receivable	**45**	8
	456	214

8. Finance costs

	2008 £'000	2007 £'000
Other financial liabilities held at amortised cost:		
Interest on bank overdrafts and loans	**(1,185)**	(873)
Interest on cash-backed loan notes	**(192)**	(15)
Interest on non-cash-backed loan notes	**–**	(42)
Interest on obligations under finance leases	**(6)**	(8)
Other interest payable	**(10)**	–
	(1,393)	(938)
Finance cost of deferred consideration	**(1,020)**	(1,186)
	(2,413)	(2,124)

9. Tax

	2008 £'000	2007 £'000
Current tax:		
UK corporation tax at 28.5% (2008 – 30%)	**5,536**	4,691
Adjustment in respect of prior years	**(484)**	(641)
	5,052	4,050
Foreign tax:	**86**	110
Adjustment in respect of prior years	**(8)**	–
	5,130	4,160
Deferred tax:		
Current year originating temporary differences	**68**	130
Adjustment in respect of prior years	**(34)**	94
Tax charge for the year	**5,164**	4,384

UK corporation tax is calculated at 28.5% of the estimated assessable profit for the year (2007 – 30%).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2008 £	2008 %	2007 £	2007 %
Profit before tax	**16,339**		13,762	
Tax at the UK corporation tax rate of 28.5% (2007 – 30%)	**4,656**	**28.5**	4,061	30.0
Tax effect of expenses that are not deductible in determining taxable profits	**1,066**	**6.5**	491	3.6
Income not taxable	**(38)**	**(0.2)**	(18)	(0.1)
Deemed interest on deferred consideration	**306**	**1.8**	356	2.6
Tax effect of utilisation of tax losses not previously recognised	**(198)**	**(1.2)**	23	0.2
Prior year corporation tax adjustment	**(493)**	**(3.0)**	(641)	(4.7)
Prior year deferred tax adjustment	**(34)**	**(0.2)**	94	0.7
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(101)**	**(0.6)**	18	0.1
Tax expense and effective tax rate for the year	**5,164**	**31.6**	4,384	32.4
Discontinued operations	**–**		25	
	5,164		4,409	

10. Discontinued operations

The results of the discontinued operations which have been included in the consolidated income statement, are as follows:

	2008 **£'000**	2007 £'000
Revenue	–	759
Expenses	–	(845)
Net loss before tax	–	(86)
Attributable tax credit	–	25
Net loss on disposal of discontinued operations	–	(61)

The effect of discontinued operations on segment results is disclosed in note 4.

On 30 June 2007 the Group disposed of the trade and assets in Rare Corporate Design Limited to its management. There were no attributable disposal costs. At the same time Chime took a 40% stake in the new entity.

11. Dividends

Amounts recognised as distributions to equity holders in the year:	**2008** **£'000**	2007 £'000
Final dividend for the year ended 31 December 2007 of 2.40p (2006 – 2.00p) per share	**1,352**	1,043
Interim dividend for the year ended 31 December 2008 of 1.54p (2007 – 1.10p) per share	**867**	581
	2,219	1,624
Proposed final dividend for the year ended 31 December 2008 of 3.18p (2007 – 2.40p) per share	**1,789**	1,262

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Under an arrangement dated 3 April 1996, The Chime Communications Employee Trust which holds 1,508,965 ordinary shares representing 2.6% of the Company's called-up share capital, has agreed to waive dividends on 804,108 ordinary shares, the difference being those shares held under the Deferred Share Plan.

Dividends per share have been restated to take into account the share consolidation carried out on 14 May 2008.

12. Earnings per share

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	2008	2007 (as restated)	2007 (as previously reported)
Basic	**19.87p**	16.76p	3.35p
Diluted	**19.59p**	16.22p	3.24p

	£'000	£'000
Earnings for the purposes of basic earnings per share, being net profit attributable to equity holders of the parent	**10,783**	8,617

Number of shares	Number	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**54,279,428**	51,404,909	257,024,547
Effect of dilutive potential ordinary shares:			
Share options	**754,319**	1,720,077	8,600,383
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**55,033,747**	53,124,986	265,624,930

From continuing operations

	2008	2007 (as restated)	2007 (as previously reported)
Basic	**19.87p**	17.15p	3.43p
Diluted	**19.59p**	16.60p	3.32p

	£'000	£'000	£'000
Profit attributable to equity holders of the parent	**10,783**	8,617	
Adjustments to exclude loss for the year from discontinued operations	**–**	61	
Adjustment to exclude loss for the year from sale of associate	**–**	140	
Earnings from continuing operations for the purpose of basic earnings per share excluding discontinued operations	**10,783**	8,818	

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operations

	2008	2007 (as restated)	2007 (as previously reported)
Basic	**–**	(0.39)p	(0.08)p
Diluted	**–**	(0.38)p	(0.08)p

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

Earnings per share have been restated to take into account the share consolidation carried out on 14 May 2008.

13. Goodwill

Cost	2008 £'000	2007 £'000
Carrying amount at 1 January	**109,909**	74,730
Exchange differences	**1,019**	275
Recognised on acquisition of a subsidiary (see note 37)	**932**	32,466
Other changes in respect of prior year acquisitions	**1,226**	2,438
At 31 December	**113,086**	109,909

The adjustment arising on prior year acquisitions relates to the contingent consideration being re-assessed based on results as follows:

	2008 £'000
VCCP Limited	**(62)**
Ledbury Research Limited	**(24)**
Baxter Hulme PR & Marketing Limited	**13**
Corporate Citizenship Limited	**(2)**
Stuart Higgins Communications Limited	**787**
Fast Track Sales Limited	**516**
Bullnose	**(2)**
	1,226

Goodwill consists of the following substantial holdings:

	2008 £'000
VCCP Limited	**29,820**
Fast Track Sales Limited	**27,819**
Bell Pottinger Public Relations Limited	**8,487**
Harvard Public Relations Limited	**7,737**
Corporate Citizenship Limited/The Smart Company.Net Limited	**7,163**
	81,026
Other acquired goodwill on the acquisition of 24 companies	**32,060**
	113,086

In accordance with the Group's accounting policy, the carrying values of goodwill and other intangible assets are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The 2008 impairment review was undertaken as at 31 December 2008. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows derived from assets using a projection period of up to five years for each cash-generating unit. The basis for this is the 2009 budget with conservative growth rates thereafter based on available GDP data. The 2009 budgets are based on management's best estimates taking into account prior period results and industry knowledge. After the projection period, steady growth has been assumed at rates not exceeding long-term average growth rates for the industry for each cash-generating unit, with no improvements in operating margin being assumed. Annual growth rate of 2.0% (2007 – 2.5%) and a pre-tax discount rate of 10.4% (2007 – 9.2%) have been assumed.

14. Other intangible assets

Cost	Customer Relationships £'000	Computer Software £'000	Total £'000
At 1 January 2008	**864**	**722**	**1,586**
Additions	**–**	**207**	**207**
At 31 December 2008	**864**	**929**	**1,793**
Accumulated amortisation			
At 1 January 2008	**159**	**665**	**824**
Charge for the year	**134**	**30**	**164**
At 31 December 2008	**293**	**695**	**988**
Carrying amount at 31 December 2008	**571**	**234**	**805**
Carrying amount at 31 December 2007	**705**	**57**	**762**

Customer relationships are being amortised over their useful economic life of five years.

Cost	Customer Relationships £'000	Computer Software £'000	Total £'000
At 1 January 2007	–	656	656
Additions	864	66	930
At 31 December 2007	864	722	1,586
Accumulated amortisation			
At 1 January 2007	–	646	646
Charge for the year	159	19	178
At 31 December 2007	159	665	824
Carrying amount at 31 December 2007	705	57	762
Carrying amount at 31 December 2006	–	10	10

15. Property, plant and equipment

Cost	Short-term leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computers £'000	Total £'000
At 1 January 2008	**4,643**	**647**	**5,623**	**10,913**
Additions	**527**	**180**	**1,314**	**2,021**
Acquisition of subsidiary	**–**	**–**	**1**	**1**
Exchange differences	**–**	**20**	**241**	**261**
Disposals	**(122)**	**(213)**	**(727)**	**(1,062)**
At 31 December 2008	**5,048**	**634**	**6,452**	**12,134**
Accumulated depreciation				
At 1 January 2008	**3,081**	**313**	**3,094**	**6,488**
Charge for the year	**602**	**98**	**1,172**	**1,872**
Exchange differences	**–**	**3**	**187**	**190**
Eliminated on disposal	**(122)**	**(161)**	**(722)**	**(1,005)**
At 31 December 2008	**3,561**	**253**	**3,731**	**7,545**
Carrying amount at 31 December 2008	**1,487**	**381**	**2,721**	**4,589**
Carrying amount at 31 December 2007	**1,562**	**334**	**2,529**	**4,425**

The carrying amount of the Group's motor vehicles includes an amount of £77,650 in respect of assets held under finance leases. The carrying amount of the Group's fixtures, fittings and computers includes an amount of £4,621 in respect of assets held under finance leases. As stated in note 26, the Group's obligations under finance leases are secured by the lessor's charges over the leased assets.

Cost	Short-term leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computers £'000	Total £'000
At 1 January 2007	3,669	647	5,869	10,185
Additions	709	62	1,030	1,801
Acquisition of subsidiary	511	136	482	1,129
Exchange differences	–	4	77	81
Disposals	(246)	(202)	(1,835)	(2,283)
At 31 December 2008	4,643	647	5,623	10,913
Accumulated depreciation				
At 1 January 2007	2,878	376	3,959	7,213
Charge for the year	429	93	881	1,403
Exchange differences	–	1	65	66
Eliminated on disposal	(226)	(157)	(1,811)	(2,194)
At 31 December 2008	3,081	313	3,094	6,488
Carrying amount at 31 December 2007	1,562	334	2,529	4,425
Carrying amount at 31 December 2006	791	271	1,910	2,972

16. Subsidiaries and associates

The Group's principal trading subsidiaries and associated undertakings, which are all incorporated in Great Britain (except where noted) are listed below:

Company	Nature of business	Proportion of ordinary shares held and voting rights
Subsidiaries		
Bell Pottinger Communications Limited	Public Relations	100%
Bell Pottinger Communications USA LLC*	Public Relations	100%
Bell Pottinger Corporate and Financial Limited	Financial Public Relations	100%
Bell Pottinger Group Limited	Public Relations	100%
Bell Pottinger Middle East FZ LLC >	Public Relations	70%
Bell Pottinger Public Affairs Limited	Political Public Relations	100%
Bell Pottinger Public Relations Limited	Consumer Public Relations & Sports Marketing	100%
Bell Pottinger USA Inc *	Public Relations	100%
Bullnose Limited	Public Relations	63%
Branded Moments Of Truth Limited	Consumer Marketing	80%
Caucusworld Limited	Research	75%
Corporate Citizenship Limited +	Corporate and Social Responsibility Consultancy	100%
Corporate Citizenship Company Inc*	Corporate and Social Responsibility Consultancy	100%
De Facto Communications Limited +	Healthcare Public Relations	100%
Good Relations Limited	Public Relations	100%
Facts International Limited +	Research	75%
FIL Market Research Limited +	Research	100%
Fast Track Events Limited	Event Management	100%
Fast Track Sales Limited +	Marketing Consultancy and Event Management	100%
Fast Track Sailing Limited	Sports Marketing Consultancy	60%
Fast Track Sports Media Consultancy Espana S.L.^	Sports Marketing Consultancy	52%
Harvard Public Relations GmbH @	Public Relations	100%
Harvard Public Relations Limited +	Public Relations	100%
Insight Marketing & Communications Limited +	Public Relations	100%
Ledbury Research Limited +	Market Research	55%
Lighthouse Communications Limited	Sponsorship Selection	100%
MMK Markt- & Medien-Kommunication GmbH @	Public Relations	100%
Naked Eye Research Limited +	Research	55%
Opinion Leader Research Limited	Market Research	100%
Ozone Marketing Communications Limited	Healthcare Public Relations	100%
Pure Media Group Limited	Media Buying	100%
Resonate Communications Limited	Consumer Public Relations	100%
Stephens Francis Whitson Limited	Direct Marketing	55%
Stuart Higgins Communications Limited +	Sports Marketing Consultancy	100%
Teamspirit Limited +	Financial Services Advertising and Marketing	100%
Teamspirit Corporate and Business Limited	Financial Services Advertising and Marketing	55%
The Sports Business Limited	Sports Marketing Consultancy	100%

Company	Nature of business	Proportion of ordinary shares held and voting rights
Traffic Werbeagentur GmbH @	Public Relations	100%
The Smart Company.Net Limited +	Corporate and Social Responsibility Consultancy	100%
TTA Public Relations Limited +	Property Marketing	70%
VCCP Limited +	Advertising and Marketing	100%
VCCP GmbH @	Advertising and Marketing	100%
VCCP Blue Limited	Advertising and Marketing	100%
VCCP Digital Limited	Digital Advertising and Marketing	100%
VCCP Search Limited	Search Engine Marketing	60%
Associates		
Meropa Communications (Pty) Limited ±+	Public Relations	20%
Rare Corporate Design Limited	Corporate Design	40%
Colour TV Limited	Television Production	45%
The Agency of Someone Limited	Branding and design	40%
X & Y Communications Limited +	Public Relations	29%

± Incorporated in South Africa
@ Incorporated in Germany
* Incorporated in America
^ Incorporated in Spain
> Incorporated in Dubai
+ Direct subsidiary/associate of Chime Communications plc

These companies operate principally in their country of incorporation.

17. Investments in associates

	2008 £'000	2007 £'000
Carrying value of investments	**167**	50
Carrying value of loans to associates	**370**	342
Share of profits	**321**	96
	858	488

Aggregate amounts relating to associates

	2008 £'000	2007 £'000
Total assets	**2,220**	1,086
Total liabilities	**(1,282)**	(909)
Net assets	**938**	177
Revenue	**5,794**	2,874
Profit/(loss) for the year	**225**	(73)

Included in the above liabilities owed by the associates are loans from the Group of £370,472 (2007 – £342,800).

A list of the significant investments in associates, including the name, country of incorporation, proportion of ownership interest is given in note 16.

18. Other investments

Other investments comprise a 10% holding in PSP Holdings Ltd. This has been recorded at cost, less any provision for impairment, as its fair value cannot be reliably measured as there is no active market.

19. Available for sale investments

	2008 £'000	2007 £'000
Fair value	**113**	227

The investments included above represent investments in listed equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The investment was held at fair value at 31 December 2008. The fair value of these securities is based on quoted market prices. The investment at 31 December 2008 comprised 1,562,500 shares in Clipper Ventures Limited.

20. Due from deferred consideration

Amounts shown are due from the disposal of Smithfield Financial Limited, being the potential deferred consideration due after one year. Management has assessed the credit risk associated with the balance and is satisfied that the balance is recoverable. £16,986 was received in the year towards the deferred consideration. Management believes the carrying value is a reasonable approximation of the value of the asset.

21. Deferred tax

Deferred tax asset movement	2008 £'000	2007 £'000
At 1 January 2008	**1,191**	1,747
Acquisition of subsidiaries	**7**	80
Charge to equity	**(335)**	(411)
Charge to the profit and loss account	**(34)**	(225)
At 31 December 2008	**829**	1,191
Analysis of deferred tax asset		
Capital allowances in excess of depreciation	**487**	416
Short-term temporary differences	**103**	61
Share-based payments	**239**	699
Losses	**–**	15
	829	1,191

Losses of £0.8 million (2007 – £0.8 million) and $5.0 million in the US (2007 – $4.4 million) have not been recognised in deferred taxation due to insufficient certainty that there will be appropriate profits available in the future to utilise them.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £1,929,000 (2007 – £1,209,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

22. Work in progress

	2008 £'000	2007 £'000
Amounts recoverable on customer contracts	**2,019**	1,560

23. Trade and other receivables

	2008 £'000	2007 £'000
Amounts receivable from provision of services	**38,813**	35,691
Other debtors	**2,185**	1,390
Prepayments and accrued income	**6,707**	5,560
	47,705	42,641

The ageing of the current trade receivables is as follows:

	2008 £'000	2007 £'000
Not overdue	**13,781**	17,905
Less than 30 days	**15,769**	11,569
Between 30 and 60 days	**3,396**	3,070
Between 60 and 90 days	**2,914**	1,384
Between 90 and 180 days	**2,320**	1,238
Between 180 days and 360 days	**1,270**	972
More than 360 days	**188**	396
	39,638	36,534
Provision for irrecoverable trade receivables	**(825)**	(843)
	38,813	35,691

The average credit period taken on provision of services is 50 days (2007 – 55 days). The Group's trade receivables are stated after allowances for bad and doubtful debts. This allowance has been determined by considering specific doubtful balances and by reference to past default experience, an analysis of which is as follows.

	2008 £'000	2007 £'000
At 1 January	**843**	583
Amounts charged to admin expenses	**833**	692
Acquisitions	**–**	38
Trade receivables written off	**(869)**	(487)
Amounts recovered during the year	**18**	17
At 31 December	**825**	843

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Trade and other receivables are predominantly non-interest-bearing. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large, unrelated and largely billed in advance. Due to this, the directors believe there is no further credit risk provision required in excess of the allowance for bad and doubtful debts.

24. Cash and cash equivalents

Cash and equivalents include £416,055 of cash held as security for cash-backed loan notes. These are held at Royal Bank of Scotland and are redeemable on demand by the loan note holders. See note 25 for further details.

25. Trade and other payables

	2008 £'000	2007 £'000
Trade creditors	**25,318**	14,701
Other taxation and social security	**3,126**	3,226
Accruals and deferred income	**38,366**	37,733
Other creditors	**2,310**	2,007
Loan notes	**416**	907
	69,536	58,574

The average credit period taken for trade purchases is 38 days (2007 – 31 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

The loan notes are guaranteed against the loan note deposits of the same amount included within cash and cash equivalents. Interest accruing on the deposit is payable to the holders of the loan notes less any costs arising.

Loan notes totalling £416,055 are outstanding as part of the initial and contingent consideration on the acquisition of HHCL Group Limited, Roose Holdings Limited and VCCP Limited.

Loan notes totalling £5.5 million were issued to senior employees of HHCL Group Limited in two instalments, the balance outstanding at 31 December 2008 being £0.277 million (2007: £0.29 million). The loan notes are repayable on giving 90 days' notice to the loan note holder.

Loan notes totalling £8.6 million were issued to the original shareholders of Roose Holdings Limited as part of the initial and contingent consideration. The loan notes are repayable at anytime after one year from the date of issue. The balance outstanding at 31 December 2008 is £0.002 million (2007 – £0.02 million).

Loan notes totalling £7.7 million were issued to the original shareholders of VCCP Limited for the contingent consideration. The loan notes are repayable at any time after six months from the date of issue. The balance outstanding at 31 December 2008 is £0.136 million (2007 – £nil).

Interest payable on loan notes is in the range of 1.5% to 5.85%.

The loan notes are guaranteed by Royal Bank of Scotland plc, unless otherwise stated, who hold a deposit of £0.42 million against them.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

26. Obligations under finance leases

	Minimum lease payments 2008 £'000	Present value of lease payments 2008 £'000	Minimum lease payments 2007 £'000	Present value of lease payments 2007 £'000
Amounts payable under finance leases				
Within one year	**53**	**48**	57	49
Between one and two years	**16**	**16**	42	42
Between two and three years	**–**	**–**	12	11
	69	**64**	111	102
Less: future finance charges	**(5)**	**–**	(9)	–
Present value of finance lease obligations	**64**	**64**	102	102
Less: Amount due for settlement within 12 months (shown under current liabilities)		**(48)**		(49)
Amount due for settlement after 12 months		**16**		53

It is the Group's policy to lease certain of its motor vehicles, fixtures, fittings and equipment under finance leases. The lease term is three years. The finance lease bears interest at variable rate of 1.4% above base rate.

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

27. Bank overdrafts and loans

	2008 £'000	2007 £'000
Bank loans	–	8,500
Cost of raising finance	–	(125)
	–	8,375
The borrowings are repayable as follows:		
On demand or within one year	–	–
In the second year	–	8,375
In the third to fifth year	–	–
	–	8,375
Amount due for settlement after 12 months	–	8,375

All borrowings are in sterling.

Cash deposits and bank loans are held at either variable rates of interest or at rates fixed for periods of no longer than three months.

The principal features of the Group's borrowings are as follows:

(i) The Group has a rolling overdraft facility of £2 million. The overdraft facility is repayable on demand.

(ii) The Group has a committed facility. The facility is £30 million. The term of the facility is until 30 June 2013.

(iii) The bank loan bears interest at 1.3% above LIBOR and the overdraft bears interest at 1.3% above base rate.

(iv) A cross-guarantee exists between each of the subsidiaries and the parent company. Royal Bank of Scotland plc holds debentures over the assets of the Company and its subsidiaries in respect of the bank loans.

(v) The weighted average interest rate applied in the period is 6.08% (2007 – 6.01%)

At 31 December 2008, the Group had available £30 million (2007 – £14.5 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The fair values of bank overdrafts and loans are determined by considering the maturity dates and market rates of interest. At 31 December 2008 there was no material difference between the fair value of financial assets and financial liabilities and their book value.

28. Provisions

	Deferred/ Contingent consideration – shares £'000	Deferred/ Contingent consideration – cash £'000	Gross obligation under put options £'000	Vacant property £'000	Total £'000
At 1 January 2008	**15,149**	**12,897**	**–**	**695**	**28,741**
On acquisition of subsidiaries	**100**	**550**	**–**	**–**	**650**
Adjustment to prior year acquisitions	**564**	**654**	**–**	**–**	**1,218**
Discounting charge to the income statement	**(19)**	**(109)**	**–**	**–**	**(128)**
Change in payment method	**(2,058)**	**2,058**	**–**	**–**	**–**
Charged to the income statement	**572**	**449**	**–**	**–**	**1,021**
Payments made	**(5,854)**	**(10,318)**	**–**	**(418)**	**(16,590)**
Written put options over minority interests	**–**	**–**	**2,000**	**–**	**2,000**
At 31 December 2008	**8,454**	**6,181**	**2,000**	**277**	**16,912**
Included in current liabilities	**–**	**207**	**–**	**181**	**388**
Included in non-current liabilities	**8,454**	**5,974**	**2,000**	**96**	**16,524**
	8,454	**6,181**	**2,000**	**277**	**16,912**

The vacant property provision remaining at 31 December 2008 relates to three buildings, one near Heathrow, one in Chelsea and one in London Bridge.

The Heathrow building is approximately 12,000 sq ft and the Group has a lease which runs to September 2016. The current rental cost is £350,000 per annum with upward-only rent reviews due in September 2010 and 2015. The Group has sublet 7,000 sq ft, the remaining 5,000 sq ft is occupied by Group companies. The rental income achieved on the sublet space is lower than that rent currently being paid under the lease.

The Chelsea building is approximately 20,000 sq ft and the Group has a lease which runs to June 2015. The current rental cost is £566,000 per annum with an upward rent review due in June 2010. The building is fully sublet. The rent achieved is no less than that being paid under the lease. The provision covers the unwinding of the rent-free periods given to the tenants.

The London Bridge office is approximately 2,700 sq ft and the Group has a lease which runs to March 2009. The current rental cost is £68,000 per annum. The office is currently vacant and provision has been made for the costs to the end of the lease.

Contingent consideration relates to acquisitions made in current and previous years. The amounts payable are dependent on the future profits of the companies acquired. Further details of the deferred considerations arising from current year acquisitions are shown in note 38.

The contingent consideration shares comprises shares to be issued in respect of acquisitions and has been shown as a liability in accordance with IAS 32 Financial Instruments: Presentation and Disclosure.

Details of contingent consideration shares to be issued and their basis are disclosed in note 38. The number of shares to be issued in all instances is based on the current market value prior to the issue of the shares.

Timing of payments of deferred consideration is set out in the relevant Sale and Purchase Agreements but amounts payable are dependent upon future results.

The gross obligation under put option has arisen as a result of a shareholders' agreement with a minority interest. The value of the option has been estimated with regards to future profitability of the operation based on multiples of earnings.

	Deferred/ Contingent consideration – shares £'000	Deferred/ Contingent consideration – cash £'000	Vacant property £'000	Total £'000
At 1 January 2007	7,334	7,552	414	15,300
On acquisition of subsidiaries	7,019	4,782	–	11,801
Adjustment to prior year acquisitions	1,224	1,214	–	2,438
Discounting charge to the income statement	646	540	–	1,186
Change in payment method	(143)	143	–	–
Charged to the income statement	–	–	380	380
Payments made	(931)	(1,334)	(99)	(2,364)
At 31 December 2007	15,149	12,897	695	28,741
Included in current liabilities	7,880	8,155	300	16,335
Included in non-current liabilities	7,269	4,742	395	12,406
	15,149	12,897	695	28,741

29. Share capital

	2008 Number (as restated)	Nominal value £'000	2007 Number (as restated)	Nominal value £'000
Authorised: at 1 January and 31 December ordinary shares at 25p each	**152,814,279**	**38,204**	152,814,279	38,204
Called up, allotted and fully paid at 1 January ordinary shares at 25p each	**53,275,051**	**13,319**	50,736,937	12,684
Issues relating to contingent consideration of VCCP Limited	**3,782,849**	**945**	–	–
Issues relating to contingent consideration of De Facto Communications Limited	**–**	**–**	225,745	56
Issues relating to the acquisition of Fast Track Sales Limited	**–**	**–**	2,000,000	500
Issues relating to contingent consideration on The Smart Company.Net Limited	**–**	**–**	115,832	29
Issued to staff under share options	**–**	**–**	196,537	50
Called up, allotted and fully paid at 31 December	**57,057,900**	**14,264**	53,275,051	13,319

The Company has one class of ordinary shares which carry no right to fixed income.

All numbers of shares have been restated to take into account the 1 for 5 share consolidation carried out on 14 May 2008.

On 30 April 2008 3,782,849 shares were issued in respect of contingent consideration for VCCP Limited. The fair value of these shares was £1.2975 each (as revalued).

30. Share premium account

	2008 £'000	2007 £'000
Balance at 1 January	**32,217**	26,594
Premium arising on issue of equity shares	**4,904**	5,623
Balance at 31 December	**37,121**	32,217

31. Own shares

	2008 £'000	2007 £'000
Balance at 1 January	**(4,381)**	(5,968)
Disposed on exercise of options	**–**	2,747
Purchase of own shares	**(571)**	(1,160)
Balance at 31 December	**(4,952)**	(4,381)

The own shares reserve represents the cost of shares in Chime Communications plc purchased in the market and held by the Chime Communications Employee Trust to satisfy options under the Group's Share Options Scheme, Deferred Share Plan and Co-Investment Plan (see note 40).

The Chime Communications Employee Trust (the Trust) was established in 1997 in Jersey. The trustee is Halifax EES Trustees International Limited. The beneficiaries of the Trust are employees and former employees of the Company and the Group (including any Director) and the spouses and children or stepchildren of such employees or former employees. The purpose of the Trust is to facilitate and encourage the ownership of shares by employees. Distributions from the Trust are agreed by the trustee on recommendations from the Board of Directors of Chime Communications plc.

The Trust currently holds 1,508,965 ordinary shares which have a nominal value of £377,241 and over which options were granted in April 1999, November 2000 and April 2003, deferred shares in May 2006, July 2007 and May 2008 and Co-Investment Plan shares in September 2006 and March 2007. In 2008 406,833 (2007 – 434,042 post-consolidation) shares were purchased at a nominal value of £101,708, representing 0.71% of the called-up share capital at 31 December 2008. Cost associated with these shares amounted to £4,274. All costs of the Trust are borne by Chime Communications plc and expensed through the income statement. The Trust has opted to waive all dividends with the exception of those shares allocated under the Deferred Share Plan (see note 41). The market value of the shares in the Trust at 31 December 2008 was £777,117 (2007 – £1,983,840).

32. Equity reserves

	2008 £'000	2007 £'000
Balance at 1 January	**32,385**	32,385
Balance at 31 December	**32,385**	32,385

Capital reduction reserve relates to the capital reduction undertaken in October 2003. The reserve will not be treated as realised profits of the Company until any debt or claim outstanding as at 1 July 2003 has been repaid or remedied. If on 1 July 2013 there remains only liabilities outstanding in relation to property leases the amount outstanding to the reserve may be released and the undertaking discharged or replaced by new share issues.

33. Translation reserves

	2008 £'000	2007 £'000
Balance at 1 January	**146**	(245)
Exchange differences on translation of overseas operations	**1,866**	391
Balance at 31 December	**2,012**	146

34. Accumulated profit/(loss)

	2008 £'000	2007 £'000
Balance at 1 January	**(612)**	(5,592)
Profit for the year attributable to equity holders of the parent	**10,783**	8,617
Dividends paid	**(2,219)**	(1,624)
Credit in relation to share-based payments	**892**	557
Revaluation of available for sale investment	**(113)**	(23)
Loss on disposal of own shares held in treasury	**–**	(2,547)
Balance at 31 December	**8,731**	(612)

The share-based payments reserve arises from the cost of share-based payment transactions with employees, which is credited to equity in accordance with IFRS 2 Share-Based Payments.

35. Reconciliation of equity attributable to equity holders of parent

	2008 £'000	2007 £'000
Balance at 1 January as previously reported	**73,074**	59,858
Dividends paid	**(2,219)**	(1,624)
Credit in relation to share-based payments	**892**	557
Purchase of own shares	**(571)**	(1,160)
Own shares disposed of on exercise of options	**–**	200
Total recognised income and expense for the year attributable to equity holders of the parent	**12,536**	8,985
Increase in share capital	**5,849**	6,258
Balance at 31 December	**89,561**	73,074

36. Notes to the cash flow statement

	2008 £'000	2007 £'000
Operating profit	**18,110**	15,745
Adjustments for:		
Loss from discontinued operation	**–**	(86)
Share-based payment expense	**1,292**	968
Translation differences	**727**	119
Depreciation of property, plant and equipment	**1,872**	1,403
Amortisation of other intangible assets	**30**	19
Amortisation of acquired intangibles	**134**	159
Loss on disposal of property, plant and equipment	**17**	29
(Decrease)/increase in provisions	**(418)**	281
Operating cash flows before movements in working capital	**21,764**	18,637
Increase in work in progress	**(459)**	(840)
Increase in receivables	**(4,878)**	(8,027)
Increase in payables	**11,274**	10,169
Cash generated by operations	**27,701**	19,939
Income taxes paid	**(4,961)**	(3,869)
Interest paid	**(1,463)**	(870)
Net cash from operating activities	**21,277**	15,200

Additions to fixtures and equipment during the year amounting to £nil and additions to motor vehicles during the year amounting to £nil were financed by new finance leases (2007 – £17,757).

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term liquid investments with a maturity of three months or less.

Net cash and cash equivalents at the beginning of the year comprise bank balances of £10,196,000 (2007 – £6,652,000) and overdrafts of £nil (2007 – £nil).

37. Acquisition of subsidiaries

On 29 February 2008, the Group acquired 55% of the issued share capital of Naked Eye Research Limited. The fair value of the consideration given for the acquisition was £96,822. An initial payment of £50,000 was satisfied on completion in cash. Costs relating to the acquisition amounted to £33,914, all of which have been paid in the year. The Group has provided for contingent consideration of £50,000 to date, dependent on profits to 2013. This has been discounted to a net present value of £46,822, with the resulting discounting charge of £3,178 to be taken through the income statement over the period.

On 20 March 2008, the Group acquired 100% of the issued share capital of MC Bio Communications Limited. The fair value of the consideration given for the acquisition was £313,581. An initial payment of £1 was satisfied on completion in cash. Costs relating to the acquisition amounted to £49,255, all of which have been paid in the year. The Group has provided for contingent consideration of £400,000 to date, dependent on profits to 2013. This has been discounted to a net present value of £313,580, with the resulting discounting charge of £86,420 to be taken through the income statement over the period.

On 2 April 2008, the Group acquired 100% of the issued share capital of Bankbrae Holdings Limited, holding company of The Sports Business Limited. The fair value of the consideration given for the acquisition was £361,838. An initial payment of £200,000 was satisfied on completion in cash. Costs relating to the acquisition amounted to £65,752, all of which have been paid in the year. The Group has provided for contingent consideration of £200,000 to date, dependent on profits to 2011. This has been discounted to a net present value of £161,838, with the resulting discounting charge of £38,162 to be taken through the income statement over the period.

The fair value of the net liabilities acquired by these acquisitions was £11,151, resulting in goodwill of £932,313 which has been capitalised as an intangible fixed asset.

In the post-acquisition period, the acquired companies contributed £62,999 to the profit on ordinary activities before taxation and £768,761 to revenue.

The goodwill calculation for the acquisition is as follows:

Net assets acquired:	Book value £'000	Fair value adjustments £'000	Fair value £'000
Trade and other receivables	173	–	173
Cash and cash equivalents	133	–	133
Trade and other payables	(311)	–	(311)
	(5)	–	(5)
Minority interest			(6)
			(11)
Goodwill			932
Total consideration			921
Satisfied by:			
Cash			250
Directly attributable costs			149
Deferred consideration			522
			921

Net cash outflow arising on acquisition:

Cash consideration	399
Cash and cash equivalents acquired	(133)
	266

Goodwill arises from anticipated profitability and future operating synergies from the combination.

If these acquisitions had been completed on the first day of the financial year they would have contributed £970,285 to Group revenue and £107,501 to profit before tax attributable to equity holders of the parent.

Other deferred consideration of £16,172,621 was settled during the year in respect of acquisitions made in previous years by cash payments of £10,318,646 and £5,853,975 by the issue of shares; £126,604 of cash paid in the year relates to costs in respect of prior year acquisitions. In addition £16,144 was paid to acquire an additional 39% of Bullnose Limited. The total payment in respect of the purchase of subsidiary undertakings was therefore £10,860,316. Cash acquired on acquisition amounted to £132,393, therefore the net cash effect in respect of subsidiary undertakings was £10,727,923.

38. Contingent liabilities and commitments

In addition to the potential deferred and contingent consideration as disclosed in note 28 of £14,635,000 at 31 December 2008 there was a maximum financial commitment of £19,101,033 relating to unprovided deferred contingent consideration payable in respect of acquisitions of subsidiary undertakings. This relates to the acquisition of Fast Track Sales Limited (£12,245,000), The Corporate Citizenship Company Limited (£2,206,034) and Stuart Higgins Communications Limited (£700,000) in 2007, MC Bio Communications Limited (£1,849,999) and Bankbrae Holdings Limited (£2,100,000) in 2008.

Fast Track Sales Limited – The maximum contingent consideration payable is £25,000,000, however provision has only been made of £12,755,000 in the accounts to date (before discounting). The contingent consideration is a multiple of seven times earnings before interest and tax the average profits for the following periods: average of the three years 2007 to 2009 inclusive, and average of the three years 2010 to 2012 inclusive. The contingent consideration would be satisfied by the issue of new shares until the amount of total consideration paid has been satisfied as to 50% in cash and 50% in new shares. Thereafter, the contingent consideration would be satisfied 50% in loan notes and 50% by the issue of new shares. Chime has the right to pay a higher percentage in cash if it so wishes.

The Corporate Citizenship Company Limited – The maximum contingent consideration payable is £4,206,034, however provision has only been made for £2,000,000 in the accounts to date (before discounting). The contingent consideration is a multiple of 4.75 times the average earnings before interest and tax for the following periods: average of the three years 2007 to 2009 inclusive, and average of the two years 2010 to 2011 inclusive. The contingent consideration would be satisfied entirely in loan notes or cash.

Stuart Higgins Communications Limited – The maximum contingent consideration payable is £1,750,000, however provision has only been made for £1,050,000 in the accounts to date (before discounting). The contingent consideration is a multiple of 4.5 times the average earnings before interest and tax for the three years 2008 to 2010 inclusive. The contingent consideration would be satisfied 50% in cash and 50% by the issue of new shares. Chime has the right to pay a higher percentage in cash if it so wishes.

MC Bio Communications Limited – the maximum contingent consideration payable is £2,249,999, however provision has only been made for £400,000 in the accounts to date (before discounting). The contingent consideration is a multiple of four times the average profits before tax for the following periods: average of the three years 2008 to 2010 inclusive, and average of the three years 2011 to 2013 inclusive. The contingent consideration would be satisfied entirely in loan notes.

Bankbrae Holdings Limited – the maximum contingent consideration payable is £2,300,000, however provision has only been made for £200,000 in the accounts to date (before discounting). The contingent consideration is a multiple of 4.5 times the average profits before tax for the following periods: average of the two years 2008 to 2009 inclusive, and average of the two years 2010 to 2011 inclusive. The contingent consideration would be satisfied 50% in cash and 50% by the issue of new shares. Chime has the right to pay a higher percentage in cash if it so wishes.

For further detail on the calculation of deferred consideration provided see note 28.

39. Operating lease arrangements

The Group as lessee

	2008 **£'000**	2007 £'000
Minimum lease payments under operating leases recognised as an expense for the year	**34,479**	36,001

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 **£'000**	2007 £'000
Within one year	**127**	109
In the second to fifth years inclusive	**7,112**	3,605
After five years	**27,240**	32,287
	34,479	36,001

Operating lease payments represent rentals payable by the Group for its office properties and for certain office equipment.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 £'000	2007 £'000
Within one year	**46**	120
In the second to fifth years inclusive	**343**	2,034
After five years	**6,399**	–

Property rental income earned during the year was £999,000 (2007 – £912,000).

40. Share-based payments

Equity-settled share option plan

The Group operates four share plans; an executive share option scheme, an employee savings-related scheme, a deferred share scheme and a Co-Investment Plan.

The exercise price of the options granted under the Executive Share Option Scheme is equal to the market value of the Company's shares at the time when the options are granted. The vesting period is generally three years but if they are special options it is five years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest. All executive options granted from November 1997 (other than special executive options) are subject to performance criteria as set out in the report to the shareholders on Directors' remuneration.

The exercise price of the options granted under the employee Savings-Related Scheme is 80% of the market value at the date of offer. The vesting period is five years, if the options remain unexercised six months after this date, the options expire. Furthermore, the options are forfeited if the employee leaves the Group before the options vest.

Under the Deferred Share Plan, restricted shares are awarded to employees at nil cost to the employee. The vesting period is three years from the date of award. If the employee leaves the Group before vesting then the restricted shares are forfeited. The employee receives the dividend on the shares during the vesting period.

The matching shares awarded under the Co-Investment Plan are awarded to employees at nil costs. The vesting period is either 3.5 years or four years depending on when the award was made. If the employee leaves the Group before vesting then the matching shares are forfeited. If the employee disposes of any of their committed shares then the matching shares awarded would be reduced accordingly retrospectively.

The matching shares awarded are subject to performance criteria as set out in the report to the shareholders on Directors' remuneration.

Share Options

	2008		2007 restated	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	**1,999,008**	**£2.468**	2,812,841	£2.225
Granted during the year	**290,311**	**£1.125**	159,868	£2.350
Lapsed during the year	**(186,377)**	**£2.048**	(518,886)	£2.703
Surrendered in the year	**(11,000)**	**£2.218**		
Exercised during the year	**–**	**–**	(454,815)	£1.160
Outstanding at the end of the year	**2,091,942**	**£2.320**	1,999,008	£2.468
Exercisable at the end of the year	**1,202,534**	**–**	1,257,857	

The weighted average share price at the date of exercise for share options exercised during the year was £nil (2007 – £1.160). The options outstanding at 31 December 2008 had a weighted average exercise price of £ 2.320 (2007 – £2.468), and a weighted average remaining contractual life of 1,543 days (2007 – 1,853 days). In 2008 options were granted on 18 May, the aggregate of the estimated fair values of the options granted on that date is £67,483. In 2007 options were granted on 23 May, the aggregate of the estimated fair values of the options granted on those dates is £84,334.

40. Share-based payments (continued)

The fair value was calculated using the Black-Scholes model (2007 – Black-Scholes).

In valuing the options, the following assumptions were used:

	2008	2007 (restated)
Weighted average share price	**£1.400**	£2.930
Weighted average exercise price	**£1.125**	£2.350
Expected volatility	**33.58**	33.58%
Expected life – savings-related scheme	**5 years**	5 years
Risk-free rate	**5.0%**	5.5%
Dividend yield	**2.50%**	1.89%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous two years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Deferred Shares

	2008 Deferred Shares	2007 restated Deferred Shares
Outstanding at beginning of year	**406,732**	244,750
Awarded during the year	**348,575**	172,282
Lapsed during the year	**(50,450)**	(10,300)
Outstanding at the end of the year	**704,857**	406,732

The restricted shares were awarded on 28 May 2008. The share price at the date of award was £1.257 (2007 – £2.775). The remaining contractual life is 579 days (2007 – 685 days). The estimated fair values of the restricted shares awarded is £346,644 (2007 – £370,459).

The fair value was calculated with reference to the share price at the date of award.

Co-Investment Plan

	2008 Matching Shares	2007 restated Matching Shares
Outstanding at beginning of year	**2,923,000**	2,591,000
Surrendered in the year	**(493,415)**	–
Granted during the year	**–**	332,000
Outstanding at the end of the year	**2,429,585**	2,923,000

There were no matching shares awarded in the year. In 2007 the share price at the date of award was £2.425. The remaining contractual life is 626 days. The estimated fair value of the matching shares granted is £nil (2007 – £391,618).

The fair value of the matching shares allocated to the market-based performance criteria was calculated using the Monte Carlo model.

In valuing the shares, the following assumptions were used:

	2008 £'000	2007 £'000
Weighted average share price	–	£0.498
Expected volatility	–	33.58%
Expected life	–	3.5 years
Risk-free rate	–	5.02%
Dividend yield	–	n/a

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous two years.

The fair value of the matching shares allocated to the non-market-based performance criteria was made with reference to the share price at the date of award discounted for expected dividends.

The Group recognised total expenses of £1,292,000 and £968,000 related to equity-settled share-based payment transactions in 2008 and 2007 respectively.

41. Retirement benefit schemes

The Group operates a defined contribution pension scheme for the benefit of the majority of employees. This is an independently administered fund, the assets of which are held separately from those of the Company. The amounts charged in this year and the prior year are disclosed in note 6.

42. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note (details of subsidiaries are included in note 16). Transactions between the Group and its associates are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate financial statements.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sale of services 2008 £'000	Purchase of services 2008 £'000	Amounts owed by related parties 2008 £'000	Amounts owed to related parties 2008 £'000	Sale of services 2007 £'000	Purchase of services 2007 £'000	Amounts owed by related parties 2007 £'000	Amounts owed to related parties 2007 £'000
Associates								
Colour TV	30	–	16	–	67	–	–	–
Meropa	–	–	335	–	–	–	374	–
Rare Corporate Design	171	315	11	31	112	300	91	50
Rare Publishing	2	6	–	–	3	–	1	–
Someone	225	27	2	–	–	–	–	–
X & Y Communications	35	53	112	35	41	–	49	–

Sales of goods to related parties were made on an arms length basis.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

42. Related party transactions (continued)

Remuneration of key management personnel
The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2008 £'000	2007 £'000
Short-term employee benefits	**2,989**	2,508
Share-based payment	**442**	447
	3,431	2,955

43. Financial instruments

The Group's principal financial instruments comprise bank loans, bank overdraft, finance leases, cash and short-term deposits. The main purpose of the financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The policy for managing these risks is reviewed and agreed with the Board.

The Group uses financial instruments to manage its bank borrowings, this is done by the use of foreign exchange rate swaps. The Group does not hold or issue derivative financial instruments for financial trading purposes but derivatives that qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are initially recognised at fair value at the contract date and continue to be stated at fair value at the balance sheet date with gains and losses on revaluation being recognised immediately to the income statement.

Capital risk management: The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings discussed in note 27, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 29 to 35.

	2008 £'000	2007 £'000
Cash and cash equivalents	**6,804**	10,196
Bank loans	**–**	(8,375)
Finance leases	**(64)**	(102)
Loan notes outstanding	**(416)**	(907)
Equity attributable to equity holders of the parent	**(89,564)**	(73,074)
	(83,240)	(72,262)

Externally imposed capital requirement: Under the terms of the Group's banking covenants the Group must meet certain criteria based on interest and dividend cover and net debt to EBITDA. There have been no breaches of the banking covenants in the current or prior year.

Interest rate risk: The Group manages its interest rate risk by the use of fixed rate and variable rate financial debt. Fixed interest rates are for periods of up to three months at a time. The interest rate margins paid by the Group on financial debt are disclosed in notes 26 and 27. Surplus cash deposits earn interest based on LIBID. If interest rates had been 1% higher during the period under review the impact to profit before tax would have been a decrease of £120,770 (2007 – £93,260), conversely if interest rates had been 1% lower during the period under review the impact to profit before tax would have been an increase of £119,645 (2007 – £92,450). The impact on shareholders' equity would have been £116,025 (2007 – £65,280) if interest rates had been worse by 1%, and £82,155 (2007 – £64,740) if interest rates had been better by 1%.

Liquidity risk: On 20 August 2008, the Group agreed to committed facilities of £30 million. The facility matures in June 2013. There is also an uncommitted facility available of £2 million, which is reviewed on a rolling basis. At 31 December 2008 the Group had net cash of £6,324,000.

Maturity of borrowings: The maturity profile for the anticipated cash flows including interest in relation to the Group's borrowings on an undiscounted basis and which therefore differs from both fair value and carrying value is as follows.

The borrowings are repayable as follows:	**£'000**
On demand or within one year	464
In the second year	16
In the third to fifth year	–
	480

All other financial liabilities are considered current except the financial liability relating to the put option.

Foreign currency risk: Management does not believe foreign currency risk to be material. The Group has one overseas associate, Meropa Communications (Pty) Limited, which trades in South Africa. At 31 December 2008 the Group had a debtor relating to the partial disposal of its shareholding in Meropa. This is payable in South African rand and is valued at £80,370 which is payable within one year. No interest is payable on these loans. The Group had not entered into forward currency transactions with regards this loan. Fluctuations in the value of the South African rand against sterling would give rise to foreign exchange differences which would be taken through the profit and loss account.

The Group has nine overseas subsidiaries which trade in Europe, America and the Middle East. At 31 December 2008 the net foreign currency monetary net assets were £1,565,401 (2007 – £627,000) in Europe, £1,237,013 (2007 – £218,992) in America and £9,790 (2007 – £nil) in the Middle East.

The Group does on occasion agree to bill clients in a currency other than the local currency, it also makes some purchases overseas where the supplier bills in their local currency. In some instances where it is viewed appropriate the proceeds from the client are kept in currency so as to minimise the foreign exchange exposure on the transaction if there are third-party costs to be paid out of the funds in that currency. In this instance the Group uses short-term foreign exchange swaps to manage the Group's borrowings. The fair value of the swaps entered into at 31 December 2008 is estimated at £29,973 (2007 – £28,821). There were three swaps open over the year end. This amount is based on the market values of equivalent instruments at the balance sheet date.

Market price risk: The Group's exposure to market price risk comprises interest rate risk and currency rate risk. The Group regularly monitors these exposures which, setting aside the interrelationships between such rates and their wider impact on the economy, are not considered to have a significant impact on the Group.

Fair values of financial assets and financial liabilities: At 31 December 2008 there was no material difference between the fair value of financial assets and financial liabilities and their book value.

Credit risk: The Group considers its maximum exposure to credit risk to be as follows:

	2008 £'000	2007 £'000
Trade receivables	**38,813**	35,691
Deferred consideration receivable	**551**	568
	39,364	36,259

Further details of the ageing of trade receivables can be found in note 23 to the financial statements.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated.